

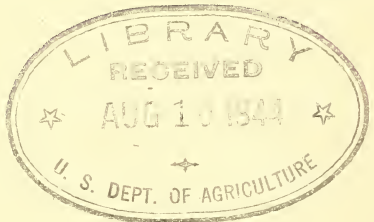
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**ANNUAL REPORT OF THE  
MANAGER OF THE  
FEDERAL CROP INSURANCE  
CORPORATION**



**1941**



# ANNUAL REPORT OF THE MANAGER OF THE FEDERAL CROP INSURANCE CORPORATION, 1941

UNITED STATES DEPARTMENT OF AGRICULTURE,  
FEDERAL CROP INSURANCE CORPORATION,  
*Washington, D. C., September 15, 1941.*

HON. CLAUDE R. WICKARD,  
*Secretary of Agriculture.*

DEAR MR. SECRETARY: Transmitted herewith is the third annual report of the Federal Crop Insurance Corporation for the fiscal year ended June 30, 1941.

For the second successive time the Corporation showed a large increase in participation, which not only strengthened the Corporation's actuarial structure through acquisition of additional historical yield and loss figures but also supplied experience and information upon which was based further improvements in the Federal crop insurance program.

This report consists of an analysis of the Corporation's activities, an examination of the problems we met and our solution of them, and an explanation of improvements incorporated in next year's program.

Respectfully,

LEROY K. SMITH,  
*Manager.*

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## OBJECTIVES OF FEDERAL CROP INSURANCE

The Federal Crop Insurance Corporation was created for the purpose of furnishing the wheat growers of the Nation a form of protection that is offered by no other agency, governmental or private.

In discharging its responsibility the Corporation performs a great public service, a service of direct benefit to 1,380,000 wheat growers and, indirectly, to millions of others in rural and urban communities, as well as to the Government itself.

Because of unforeseen disasters that constantly affect the growing of wheat each season in the course of years, this service is of great value as it relates to the Nation's economic and social welfare, not only to rural individuals and communities therein but also to its urban population and to industry. It becomes of even larger importance in times of national stress when a constant, protected source of bread is imperative and the morale of those in the production of food on the farm must be kept firm and unshaken.

It is the principal duty of the Federal Crop Insurance Corporation to aid in protecting the interests of the insured wheat growers of the nation in their growing of crops. That means helping the farmers to safeguard themselves from the many causes of crop loss or failure—insects, drought, adverse weather, fire, etc.—which repeatedly destroy their fields and the results of their work for the entire year. The average annual cost in abandoned acres to wheat growers of such destruction has been estimated at 100 million dollars. This average abandonment in the last ten years has been 14 million acres. The average annual loss in bushels to wheat growers of the United States is about 100 million bushels. Actually, the total loss for growers is much greater and never is there a year but what many farmers reap a short crop. They may not have abandoned their acreage and while their fields may be worth harvesting, their yields are not up to average and they do not receive the full return to which they are entitled.

Thus by making it possible for farmers to protect themselves from such unavoidable losses, the Federal Crop Insurance Corporation is performing a definite public service. In former years the disastrous effect of wheat-crop failure frequently has been too heavy a burden for the individual farmer to bear. In many instances the effect of a crop failure has been too great a problem for the community itself. All too frequently local governments have been compelled to assume the responsibility for a subsistence existence for wheat growers dispossessed from their homes or lacking the necessary means of a livelihood through no fault of their own, but simply because their crop failed and they had no reserves with which to begin anew next year. As an instrument for the public good, crop insurance has thus aided local, State, and Federal Government with respect to relief expenditures by contributing to the wheat growers' self-maintenance on the farm.

Not infrequently crop failure drains the resources of the individual farmer to such an extent that his credit standing is impaired or even destroyed. He thus finds himself poor financially and without means of credit with which to finance his farming operations for the next year. Crop insurance furnishes desirable means for meeting both of these misfortunes. First, it offers the means of some wheat income in crop-failure years, and second, since insurance contracts can be assigned as collateral on loans, it also affords a new source of credit for the grower, who, because of forces beyond his control,

may have become a poor financial risk. Many growers have utilized crop insurance contracts in this way, and continued farming operations which otherwise might have had to be discontinued.

This contribution to public service is not and has not been a stop-gap proposition. It is a continuing plan enabling the farmers themselves to plan for the possibility of crop failures, protect themselves against lack of adequate seed for the following year and safeguard the welfare of their families and their farms, thus becoming a vital factor in national defense. In the years preceding the development of crop insurance just the contrary was true. Thousands of farmers, operating their farms on small margins, faced (and many of them experienced) foreclosure or bankruptcy because their wheat crops had failed. This led to emergency measures. Drought relief, rural rehabilitation, and emergency seed and feed loans came into being. They served well but by the very emergency of their natures they could serve only temporarily. If crop failure again threatened the wheat areas in the next succeeding year, these means of assistance again must support the wheat growers' path. They met the existing problem but were unable to prepare for and counteract beforehand the same situation in the next succeeding year.

These emergency methods resulted in large public expenditures from the local, State, and Federal treasuries. And so, in an effort to forestall the economic plights that befell wheat growers in crop-failure years the Federal crop insurance program was planned. It was, and is, an installment plan protection based on a "pay as you plant" basis that makes provision for crop failure not after it occurs but before it occurs. The effect of such a program has been to spread over a number of years the loss and danger of crop failure rather than permitting its entire cost to fall upon the farmer in one year.

This program of all-risk insurance on growing wheat was put into operation in 1938 following approval of the Federal Crop Insurance Act on February 16 of that year. The Federal Crop Insurance Corporation was created as an agency of the Department of Agriculture to carry out this program beginning with the 1939 wheat crop. The Corporation also was authorized by Congress to institute research on the feasibility of extending this insurance to other farm commodities.

There were two reasons for selecting wheat as the first crop on which to write insurance. First, necessary yield and loss data for a large number of individual farms were readily available assuring a sound foundation on which to build actuarial structure, and, second, wheat is a primary crop, grown in many parts of the country and subject to diverse disasters and hazards.

### CAPITAL FUND

The Federal Crop Insurance Act authorized a capital structure for the Corporation of 100 million dollars, which was to be subscribed by the United States Treasury on the basis of appropriations made for that purpose. Under the Department of Agriculture Appropriations Act of 1939, 20 million dollars was made available to the Secretary of the Treasury for purchase of capital stock of the Corporation

in the fiscal year 1939. Under the second Deficiency Appropriation Act, approved June 27, 1940, an additional 20 million dollars was made available to the Secretary of the Treasury for the purchase of capital stock of the Corporation during the fiscal year 1940. To date the Corporation has requisitioned 14 million dollars of this amount.

#### ADMINISTRATIVE FUNDS

An authorization for an appropriation of not to exceed 6 million dollars for each fiscal year was voted by Congress to cover operating and administrative expenses. This amount also included the anticipated costs of storing, handling, and insuring wheat for the Corporation's insurance reserve.

#### ORGANIZATION

Administration of the Corporation is directed by:

A Board of Directors, appointed by the Secretary of Agriculture, and consisting of R. M. Evans, Administrator of the Agricultural Adjustment Administration; C. W. Kitchen, Chief of the Agricultural Marketing Service; and B. R. Stauber, in charge of Land Policy-Credit Coordination.

The Manager, Leroy K. Smith, appointed by the Board of Directors, subject to the approval of the Secretary of Agriculture;

The executive office in Washington, D. C., for general administration and policy making, direction of research and education work, and coordination of the Corporation's activities with those of other Departmental agencies;

Five branch offices for approving all yields and rates prior to use of such yields and rates for crop insurance purposes, approving claims, auditing premium payments, and disbursing indemnity payments, are located in Washington, D. C.; Chicago, Ill.; Kansas City, Mo.; Minneapolis, Minn.; and Spokane, Wash.;

A grain control office at Kansas City, Mo., to coordinate purchase, storage, and sale of grain by the five branch offices;

And field administration through the Agricultural Adjustment Administration. Under a cooperative agreement State and county committees of the Agricultural Adjustment Administration also handle the crop insurance program. These committees help establish yields and premium rates for individual farms, using formulae and procedures developed by the Corporation, write applications for insurance, collect premiums, measure acreage, adjust claims for crop losses, and collect data on production.

#### PLAN OF OPERATION

Under the wheat crop insurance program a farmer may insure himself against loss in yield below 75 percent or below 50 percent, whichever he chooses, of his average yield. An insured farmer is protected against loss due to drought, flood, hail, wind, winter-kill, tornado, insect infestation, plant disease, and other unavoidable hazards. No insured farmer is protected against loss due to negligence, malfeasance, poor farming practices, or from causes which he is in a position to prevent.

#### WHEAT BASIS

Unlike commercial insurance, all transactions and calculations of the Federal Crop Insurance Corporation are figured in terms of bushels of wheat. The farmer's guaranteed yield is figured in bushels of wheat; his premium and his indemnity, if any, also are figured in bushels of wheat. All reserves of the Corporation accruing from premium collections have been carried in actual wheat in store, thus avoiding the uncertainties due to price fluctuations.

#### YIELDS INSURED

The coverage per acre is determined from records of actual yields over a representative period of years for each individual farm. Where such records are not available or applicable, the yield is appraised. Each year as a new crop is produced the yield of that crop is incorporated into the actuarial structure.

#### PREMIUM RATES

Premiums are in a large measure based on actual or appraised crop-loss experience for a representative period of years for each individual farm insured. This crop loss is blended with the general crop-loss experience of the county in which the farm is located to determine the premium rate. Rates are revised annually to reflect the loss experience. The actuarial structure is so developed that the total premiums over a representative period of years will offset indemnities.

Under the 1941 program premiums were paid in either wheat or the cash equivalent before seeding, or by assignment of payments made by the Agricultural Adjustment Administration to farmers for participation in that program. Where premiums were paid in cash, the money was used to buy wheat which the Corporation added to its reserves in storage.

#### WHEAT RESERVES

Through collection of premiums the Corporation built a reserve of wheat on which it drew to pay indemnities as losses occurred on insured farms throughout the wheat states. In storing this wheat for a time, or until it was needed to pay losses, the Corporation's program functioned as part of the Ever-Normal Granary. These reserves were disposed of only to pay indemnities.

#### INDEMNITIES

Indemnities are paid the insured grower when his total production on an insured farm is less than the total insured production for that farm. For example, if insurance is written on 100 acres for a farm on which the average yield was 12 bushels, the amount of insured production under the 75-percent insurance plan will be 900 bushels. If the total production on this farm is only 600 bushels, the insured grower will be paid 300 bushels of wheat.

Indemnities are paid with cash or by certificates of indemnity. These certificates can be exchanged with the Corporation for the cash equivalent or for a warehouse receipt if wheat is available. The

certificates also can be turned over to the Commodity Credit Corporation to obtain a loan on the amount of wheat represented by the certificate. Where indemnified growers request settlement in the cash equivalent, the cash indemnity is computed on the basis of the current market price on the day the Corporation approved payment.

#### CAPITAL RESERVE

A capital fund is provided for the Corporation so that it will be able to balance good crop years with poor crop years and still make available to farmers crop insurance protection on a long-range premium basis.

Crop losses will vary widely from year to year. Thus, it cannot be expected that total premiums paid each year will offset entirely that year's indemnity payments. In good crop years premiums may exceed indemnities and in poor years indemnities may exceed premiums. It is also consistent with a sound actuarial structure to have a year in which the Nation's wheat production is average or above and still have indemnities exceed premiums paid by growers. This is possible when widespread abandonment or losses in big-producing areas are offset by phenomenal yields in other areas. Such a condition existed with regard to the 1940 crop.

#### WRITING INSURANCE

Before insurance was offered growers on their 1941 crop, county committees in all except minor wheat counties established average yields and premium rates for all wheat farms. The average yield for insurance on the 1941 crop was modified by incorporating the yield experience for one additional year, 1939, for which data had become available. Likewise the premium rate for insurance on the 1941 crop was modified by incorporating the crop loss experience from the 1939 crop. All growers were informed of their average yields and premium rates prior to seeding.

#### 1941 INSURANCE CONTRACTS

Insurance on the 1941 crop was made available to growers before the seeding of their crop. They were required to submit their applications for insurance before seeding and not later than dates specified by the Corporation as the last day on which such applications would be accepted, whichever was earlier. The closing date for winter wheat applications was August 31 and February 28 for spring wheat applications.

In applying for insurance the farmer was required to state the number of acres he intended to seed for the 1941 crop and to pay his premium when he signed the application. Premiums were payable either by a warehouse receipt for wheat, by cash, bank draft, money order, check, or by authorizing the Secretary of Agriculture to make an advance to the Corporation from payments earned or to be earned by the grower under the national farm program. When payment was made by cash or by an advance, the cash equivalent or the wheat was determined on the basis of the established current price for the day on which the application was signed. The insur-

ance became effective upon payment of the premium and the seeding of the crop.

### FINANCIAL REPORT OF 1941 FISCAL YEAR

Due to the particular requirements of a yield insurance program in which insured yields, premiums, and indemnities are computed in terms of bushels, the insurance reserve, representing premiums less indemnities, and other integrated accounts are expressed in terms of the commodity—bushels of wheat.

Monetary values arising from cash transactions are handled in accordance with standard accounting practice. The operating reserve reflects the results of the financial operations, consisting mainly of the cash equivalents of premiums collected, less the monetary cost of indemnities paid.

The insurance reserve and the operating reserve are maintained on a crop year basis.

The financial and reserve positions of the Corporation as of June 30, 1941, are reflected in tables 1 to 5.

TABLE 1.—Comparative balance sheet (monetary) for the fiscal years ending June 30, 1940, and June 30, 1941, as of June 30, 1941

ASSETS			
	June 30, 1940	June 30, 1941	Increase or decrease as of 1941
Cash.....	\$3,064,379.61	\$7,972,129.74	+\$4,907,750.13
Capital fund, unrequisioned, from United States Treasury.....	12,000,000.00	26,000,000.00	+14,000,000.00
Accounts receivable:			
Uncompleted sales of wheat.....	152,765.29	11,115.24	-141,650.05
Other.....	4,227.29	5,933.09	+1,705.80
Total accounts receivable.....	156,992.58	17,048.33	-139,944.25
Interagency assets:			
Agricultural Adjustment Administration.....	725,040.35	11,088.09	-713,952.26
Other assets:			
Wheat inventory (stated at cost value):			
In store.....	10,737,860.06	9,882,177.57	-855,682.49
Purchase commitments.....	7,347.95	68,612.50	+61,264.55
Total.....	10,745,208.01	9,950,790.07	-794,417.94
Less sales commitments.....	152,765.29	11,115.24	-141,650.05
Net inventory.....	10,592,442.72	9,939,674.83	-652,767.89
Refundable inbound switching.....	8,616.02		-8,616.02
Total.....	10,601,058.74	9,939,674.83	-661,383.91
Total assets.....	26,547,471.28	43,939,940.99	+17,392,469.71

LIABILITIES AND CAPITAL STOCK			
Accounts payable:			
Uncompleted purchases of wheat.....	7,347.95	308,075.46	+300,727.51
Administrative fund.....		69,853.21	+69,853.21
Other.....	1,162.29	170.08	-992.21
Total.....	8,510.24	378,098.75	+369,588.51
Operating reserve.....	6,538,961.04	3,561,842.24	-2,977,118.80
Total liabilities.....	6,547,471.28	3,939,940.99	-2,607,530.29
Capital stock.....	20,000,000.00	40,000,000.00	+20,000,000.00
Total liabilities and capital stock.....	26,547,471.28	43,939,940.99	+17,392,469.71

TABLE 2.—*Comparative balance sheet (wheat) for the fiscal years ending June 30, 1940, and June 30, 1941, as of June 30, 1941*

## ASSETS

	June 30, 1940	June 30, 1941	Increase or decrease as of 1941
	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
Wheat inventory .....	12, 483, 057	12, 255, 033	-228, 024
Total assets .....	12, 483, 057	12, 255, 033	-228, 024

## LIABILITIES

Deposits for future premiums .....	128, 118	9, 376	-118, 742
Indemnities payable .....	1, 193, 805	2, 066, 888	+873, 083
Insurance reserve (table 7) .....	7, 616, 835	-1, 594, 076	-9, 210, 911
Reserve for estimated premium decreases. (The actual decrease will be determined after 1941 notices of seeding are received) .....		-840, 000	-840, 000
Excess of indemnities over premiums:			
1939 crop year .....	3, 478, 912	3, 493, 360	+14, 448
1940 crop year .....		9, 094, 817	+9, 094, 817
Excess of wheat inventory over wheat-stock requirement <sup>1</sup> .....	65, 387	24, 668	-40, 719
Total liabilities .....	12, 483, 057	12, 255, 033	-228, 024

<sup>1</sup> Represents:

	June 30, 1940	June 30, 1941	Increase or decrease as of 1941
	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
Premium collections .....	14, 171, 979	14, 264, 012	+92, 033
Deposits for future premiums .....	128, 118	9, 376	-118, 742
Indemnities approved for deferred settlement 1940 crop year and unpaid .....		1, 262	+1, 262
Total .....	14, 300, 097	14, 274, 650	-25, 447
Less:			
Indemnities paid .....	1, 360, 599	1, 204, 285	-156, 314
Indemnities approved for immediate settlement .....	521, 828		-521, 828
Reserved for estimated premium decreases .....		840, 000	+840, 000
Total .....	1, 882, 427	2, 044, 285	+161, 858
Wheat-stock requirement .....	12, 417, 670	12, 230, 365	-187, 305
Wheat inventory .....	12, 483, 057	12, 255, 033	-228, 024
Excess of wheat inventory over wheat-stock requirement .....	65, 387	24, 668	-40, 719

The wheat inventory is usually slightly over or under the wheat-stock requirement because of the short lapse of time between premium and indemnity transactions, and the purchase or sale of wheat.

TABLE 3.—Schedule of insurance operations, classified by areas and by States, for the crop year 1939, as of June 30, 1941

Area and State	Unit statistics		Insurance reserve			Insured production	Insured acreage
	Policies issued	Indemnities paid	Premium	Indemnity	Surplus or deficit <sup>1</sup>		
	Number	Number	Bushels	Bushels	Bushels	Bushels	Acres
Chicago:							
Illinois.....	12,189	970	185,194	58,294	+126,900	2,912,114	267,151.0
Indiana.....	11,157	2,574	141,648	148,728	-7,080	2,020,296	163,683.9
Iowa.....	4,645	1,782	57,223	127,312	-70,089	894,064	72,598.9
Michigan.....	5,057	934	30,633	39,481	-8,848	739,664	49,232.6
Ohio.....	10,252	1,908	131,288	101,184	+30,104	1,737,408	123,478.2
Total for Chicago area.....	43,300	8,168	545,986	474,999	+70,987	8,303,546	676,144.6
Kansas City:							
Colorado.....	1,429	761	78,214	187,356	-109,142	580,273	70,532.9
Kansas.....	14,887	5,742	777,080	1,746,943	-969,863	7,328,341	882,738.8
Missouri.....	15,735	2,837	197,328	171,203	+26,125	3,264,200	343,075.1
Nebraska.....	13,197	8,710	495,556	1,277,596	-782,040	3,922,956	427,020.7
New Mexico.....	111	72	12,153	30,605	-18,452	71,532	8,356.2
Oklahoma.....	8,635	2,997	270,416	477,481	-207,065	4,016,681	463,894.5
Texas.....	3,677	2,362	396,019	1,017,657	-621,638	2,528,066	346,939.0
Total for Kansas City area.....	57,671	23,481	2,226,766	4,908,841	-2,682,075	21,712,049	2,542,557.2
Minneapolis:							
Minnesota.....	10,211	2,616	170,439	155,064	+15,375	2,198,867	250,032.0
Montana.....	5,200	1,749	655,925	681,177	-25,252	4,425,554	536,042.0
North Dakota.....	28,091	10,240	1,949,990	1,652,902	+297,088	12,308,941	2,080,758.0
South Dakota.....	10,643	7,636	728,741	1,592,152	-863,411	2,796,008	510,422.0
Wisconsin.....	183	119	1,215	6,500	-5,285	15,578	1,199.0
Wyoming.....	321	235	29,072	84,035	-54,963	207,101	23,406.7
Total for Minneapolis area.....	54,649	22,595	3,535,382	4,171,830	-636,448	21,952,049	3,401,859.7
Spokane:							
California.....	1,002	389	73,427	252,087	-178,660	1,558,732	111,160.2
Idaho.....	1,708	235	76,630	76,304	+326	2,041,709	128,882.3
Nevada.....	38	19	549	3,526	-2,977	15,327	725.3
Oregon.....	662	188	62,206	101,107	-38,901	1,368,920	93,086.0
Utah.....	452	160	22,350	63,319	-40,969	513,804	32,712.4
Washington.....	1,332	239	86,631	86,789	-158	2,262,883	167,958.0
Total for Spokane area.....	5,194	1,230	321,793	583,132	-261,339	7,761,375	534,524.2
Washington, D. C.:							
Delaware.....	79	14	859	668	+191	22,208	1,765.9
Maryland.....	985	151	10,905	7,103	+3,802	290,905	22,997.1
New Jersey.....	29	3	190	170	+20	5,778	380.3
New York.....	652	58	5,038	5,226	-188	149,854	8,756.2
Pennsylvania.....	2,299	152	15,829	7,709	+8,120	448,933	30,443.5
Virginia.....	916	78	7,363	3,811	+3,552	189,239	15,362.2
West Virginia.....	1	---	18	---	+18	402	37.0
Total for Washington, D. C. area.....	4,961	456	40,202	24,687	+15,515	1,107,319	79,747.2
Grand total 1939.....	165,775	55,930	6,670,129	10,163,489	-3,493,360	60,836,338	7,234,832.9

<sup>1</sup> + Surplus represents excess of premiums collected over indemnities paid. - Deficit represents excess of indemnities paid over premiums collected.

TABLE 4.—Schedule of insurance operations, classified by areas and by States, for the crop year, 1940, as of June 30, 1941

Area and State	Unit statistics					Insurance reserve				Insured production	Insured acreage
	Applica- tions	Cancellations, rejections, etc.	No wheat seeded	Contracts in force	Indemnities paid and accrued	Premium	Indemnity	Surplus or deficit 1	Bushels		
Chicago:						Bushels	Bushels	Bushels	Bushels		Acres
Illinois	14,925	55	617	14,254	792	215,352	36,017	+179,305	3,231,003	290,614.5	
Indiana	28,433	120	1,429	26,884	3,085	280,217	123,915	+148,595	4,148,595	352,003.2	
Iowa	7,251	67	674	6,515	705	17,545	47,592	+15,238	1,228,398	100,290.9	
Kentucky	980	12	17	946	163	14,753	45,534	+5,229	1,661,582	16,530.2	
Michigan	15,950	35	737	15,178	1,534	86,883	57,812	+29,051	1,491,508	131,232.7	
Ohio	28,795	147	979	27,670	2,418	300,731	77,453	+227,278	4,230,890	314,151.7	
Tennessee	248	6	4	238	31	2,747	1,383	+1,364	43,858	4,773.4	
Total for Chicago area	96,584	442	4,457	91,685	8,734	1,002,218	353,736	+648,482	14,854,365	1,193,112.9	
Kansas City:											
Colorado	3,706	41	174	3,491	1,956	247,786	465,276	—217,490	1,221,281	155,894.7	
Kansas	60,287	123	1,761	58,403	24,995	3,695,490	8,298,111	—4,602,621	23,897,757	3,075,210.6	
Missouri	21,666	37	1,513	20,116	2,973	244,482	140,573	+103,909	3,500,111	363,445.2	
Nebraska	57,095	298	2,873	53,924	31,103	1,472,626	5,131,117	—3,158,191	13,623,733	1,393,276.7	
New Mexico	61	3	1	57	44	11,731	21,487	+9,756	37,604	7,240.1	
Oklahoma	23,258	97	640	22,521	7,640	879,317	1,277,615	—398,298	8,581,583	1,006,301.6	
Texas	11,022	46	118	10,858	5,382	1,069,339	1,649,277	—579,938	5,180,286	811,216.5	
Total for Kansas City area	177,095	645	7,080	169,370	74,095	8,121,071	16,983,486	—8,862,415	55,594,595	6,808,614.4	
Minneapolis:											
Minnesota	21,494	659	1,191	19,644	2,015	317,694	128,398	+189,296	3,304,973	382,251.4	
Montana	4,138	163	79	3,896	1,216	512,757	367,025	+145,732	2,416,600	350,190.8	
North Dakota	31,657	764	411	30,482	11,092	1,834,945	2,036,688	—201,743	11,293,784	1,973,027.3	
South Dakota	21,413	573	1,394	19,446	10,183	1,046,314	1,618,253	—571,939	3,745,347	717,146.3	
Wisconsin	565	8	20	537	96	2,941	3,109	+168	37,421	3,114.9	
Wyoming	1,273	28	56	1,189	855	120,367	271,407	—150,440	561,927	73,546.2	
Total for Minneapolis area	80,540	2,195	3,151	75,194	25,457	3,835,678	4,424,880	—589,202	21,360,055	3,505,249.9	
Spokane:											
California	2,155	38	129	1,988	1,082	154,397	624,875	—470,478	2,263,482	164,907.1	
Idaho	6,873	136	401	6,386	817	132,919	100,317	+2,942	2,898,889	178,204.5	
Nevada	107	3	3	104	54	1,929	5,469	—3,540	36,592	1,854.2	
Oregon	2,012	7	32	1,978	462	228,369	146,798	+81,571	3,646,449	293,762.1	
Utah	682	16	23	643	137	25,919	15,261	+10,718	492,797	31,649.8	
Washington	3,625	45	127	3,453	778	225,977	186,275	+59,702	5,313,926	378,712.4	
Total for Spokane area	15,454	242	715	14,497	3,330	769,540	1,078,935	—309,395	14,582,135	1,019,090.1	

[illegible]

<sup>1</sup> + Surplus represents excess of premiums collected over indemnities paid. — Deficit represents excess of indemnities paid over premiums collected.

TABLE 5.—*Schedule of insurance operations, classified by areas and by States, for the crop year 1941, as of June 30, 1941*<sup>1</sup>

Area and State	Premium collections		Indemnities paid and accrued	
	Number	Bushels	Units	Bushels
Chicago:				
Illinois.....	38, 079	496, 844	504	94, 983
Indiana.....	35, 511	371, 879	25	1, 933
Iowa.....	7, 546	112, 470	1, 374	217, 010
Kentucky.....	615	9, 944		
Michigan.....	15, 345	112, 669	43	3, 558
Ohio.....	34, 008	336, 063	21	1, 534
Tennessee.....	210	2, 044		
Total for Chicago area.....	131, 314	1, 441, 913	1, 967	319, 018
Kansas City:				
Arkansas.....	38	394		
Colorado.....	5, 878	413, 137	10	3, 502
Kansas.....	60, 920	3, 409, 212	749	124, 677
Missouri.....	25, 204	340, 335	1, 002	143, 328
Nebraska.....	63, 325	2, 651, 263	11, 612	1, 936, 032
New Mexico.....	260	35, 023	49	31, 942
Oklahoma.....	25, 092	813, 468	353	56, 842
Texas.....	10, 192	1, 023, 478	699	360, 402
Total for Kansas City area.....	190, 909	8, 686, 310	14, 474	2, 656, 725
Minneapolis:				
Minnesota.....	15, 567	270, 865	226	18, 168
Montana.....	3, 300	448, 865		
North Dakota.....	19, 765	1, 175, 443		51
South Dakota.....	15, 225	972, 416	126	27, 979
Wisconsin.....	709	4, 713	25	1, 202
Wyoming.....	1, 532	151, 078	7	960
Total for Minneapolis area.....	56, 098	3, 023, 380	385	48, 360
Spokane:				
Arizona.....	205	3, 168	21	4, 341
California.....	3, 329	201, 518	281	240, 395
Idaho.....	11, 087	236, 653	1	50
Nevada.....	108	2, 321		
Oregon.....	5, 852	237, 081	5	493
Utah.....	3, 518	67, 959		
Washington.....	4, 516	245, 377		
Total for Spokane area.....	28, 625	994, 077	308	245, 279
Washington, D. C.:				
Delaware.....	631	6, 030		
Maryland.....	1, 746	21, 237	1	245
New Jersey.....	165	1, 285		
New York.....	1, 016	8, 040		
North Carolina.....	458	3, 005		
Pennsylvania.....	7, 501	52, 804		
Virginia.....	2, 556	24, 764	1	194
West Virginia.....	94	1, 167	1	90
Total for Washington, D. C., area.....	14, 167	118, 332	3	529
Grand total 1941.....	421, 113	14, 264, 012	17, 137	3, 269, 911

<sup>1</sup> Premium collections are subject to downward adjustment of approximately 8 percent based on notices of seeding to be received. Insured production and insured acreage will not be determinable until all notices of seeding have been received and tabulated. The majority of indemnity claims will be received and recorded subsequent to June 30, 1941.

## COMMENTS ON BALANCE SHEETS—MONETARY AND WHEAT

## CASH

The cash amounting to \$7,972,129.74 is deposited with the Chief Disbursing Officer of the Treasury. The facilities of the Disbursing Office of the Treasury are used by the Corporation for deposits and disbursements. The cost of wheat storage, insurance, and handling

is paid from administrative funds. A summary of the cash receipts and disbursements for the fiscal year 1941 is shown as follows:

Cash balance as of July 1, 1940-----	\$ 3,064,379.61
Cash receipts:	
Premium collections-----	11,584,864.96
Proceeds from sale of wheat-----	4,627,544.72
Cash requisitioned from Treasury on capital stock-----	6,000,000.00
Total cash receipts-----	22,212,409.68
Cash disbursements:	
Wheat purchases-----	5,151,262.39
Indemnity payments-----	12,149,949.16
Other-----	3,448.00
Total cash disbursements-----	17,304,659.55
Excess of cash receipts over disbursements-----	4,907,750.13
Cash balance as of June 30, 1941-----	7,972,129.74

#### CAPITAL FUND—UNREQUISITIONED FROM UNITED STATES TREASURY

During the fiscal year 1941, 20 million dollars were made available by the Treasurer of the United States for subscription to the capital stock of the Corporation, making a total of 40 million dollars subscribed to date. Of this amount 14 million dollars has been requisitioned to carry on the insurance operations of the Corporation, leaving an uncalled balance of 26 million dollars of the total amount subscribed.

#### ACCOUNTS RECEIVABLE

The amount of \$11,115.24 represents the balance due the Corporation from the sale of wheat on which delivery had not been made. Such balances are usually liquidated within a few days after the confirmation of sale.

Other accounts receivable amounting to \$5,933.09 represent, in the main, indebtedness of farmers amounting to \$2,798.70 and a claim of \$3,102.50 resulting from the delivery of grain to the Corporation of a quality below specifications.

#### INTERAGENCY ASSETS

The amount of \$11,088.09 represents the premiums payable to the Corporation for the 1940 crop year by the Agricultural Adjustment Administration for the account of farmers entitled to receive agricultural program payments during this period. Over 95 percent of the premiums on insurance contracts were paid in this manner for the 1940 and 1941 crop years.

The sum of \$11,264,460 was paid to the Corporation by the Agricultural Adjustment Administration for the estimated premium advances for the 1941 crop year. This amount will be subject to adjustment after the exact premiums have been determined from reports showing the acreage actually seeded to wheat. These reports are now in the process of audit.

## WHEAT INVENTORY

As of June 30, 1941, the wheat inventory amounted to 12,255,033 bushels of wheat stated at a cost value of \$9,939,674.83. No consideration is given to the current market value for inventory purposes since any price changes between purchase and sale are passed on to the insured in the cash equivalent of the indemnity paid.

To protect the Corporation against loss due to price fluctuation, the Corporation concurrently adjusts its wheat stock position by the purchase or sale of wheat to coincide with its changing reserve requirements which are based on premiums collected and indemnities paid at the current value of wheat at farmers' local stations.

A comparison of the wheat position with the reserve requirements as of June 30, 1940, is reflected in table 2, page 8.

Wheat is usually purchased at storage locations in closer proximity to the price fixing markets than the farmers' local stations where premiums are collected and indemnities paid; consequently, the cost per bushel of such wheat is usually higher than the per bushel value at farmers' local stations to the extent of the freight and handling differentials existing between such points. Capital funds are used to cover these differentials when the wheat is purchased. Such funds are recovered when wheat is sold to pay indemnities.

## ACCOUNTS PAYABLE

The amount due of \$308,075.46 for uncompleted purchases of wheat is in process of settlement.

The amount due the administrative fund of \$69,853.21 represents storage, insurance, and handling charges assumed by the Corporation in grain purchases and deducted in grain settlements. These storage, insurance, and handling charges are payable from the fund provided for administrative and operating expenses. The amount thereof will be transferred from the grain account to the administrative fund in reimbursement for the payment of such charges.

Other accounts payable items amounting to \$170.08 are miscellaneous in character.

## OPERATING RESERVE

The operating reserve reflects the monetary values arising from cash transactions involving premium collections and indemnity payments. This account, amounting to \$3,561,842.24 as of June 30, 1941, is summarized by crop years in table 6.

TABLE 6.—*Summary of the relationship between premium collections, cost of indemnities, and the operating reserves for the crop years 1939-41*

Crop year	Premium collections	Cost of indemnities	Operating reserve
1939.....	\$3,410,899.62	\$5,605,975.79	-\$2,195,076.17
1940.....	9,160,349.91	13,799,587.68	-4,639,237.77
1941.....	11,396,161.37	996,557.19	+10,399,604.18
Total.....	23,967,410.90	20,402,120.66	+3,565,290.24
Less other charges.....			-3,448.00
Operating reserve.....			+3,561,842.24

The cost of indemnities for the 1941 crop year includes only the cost of indemnities paid up to June 30, 1941. Operations for the 1939 and 1940 crop years are practically completed.

As of June 30, 1941, there were 2,066,888 bushels of wheat representing indemnities payable and approved for deferred settlement. Although this item is reflected as a liability in the comparative balance sheet (wheat), no monetary liability therefor has been shown since the cash equivalent is not established until request for payment is made by the insured. For this reason the operating reserve is maintained primarily on a cash receipts and disbursements basis while the accrual method is followed in respect to the insurance reserve.

#### INSURANCE RESERVE

The insurance reserve reflects the premium collections, less indemnities paid and accrued, expressed in terms of bushels of wheat. As previously stated, the insurance reserve is shown in this manner due to the particular requirements of a yield insurance program in which yields, premiums, and indemnities are computed in terms of bushels.

As of June 30, 1941, the insurance reserve showed on a comparative program basis an excess of indemnities paid and accrued over premiums collected of 1,594,076 bushels of wheat. The insurance reserve operations are summarized by crop years in table 7.

TABLE 7.—*Summary of relationship between premium collections, indemnities, and insurance reserves for the crop years 1939-41*

Crop year	Premium collections	Indemnities paid and accrued	Insurance reserve
	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
1939 (table 3) .....	6,670,129	10,163,489	-3,493,360
1940 (table 4) .....	13,800,812	22,895,629	-9,094,817
1941 (table 5) .....	14,264,012	3,269,911	+10,994,101
Total .....	34,734,953	36,329,029	-1,594,076

The indemnities paid and accrued for the 1941 crop year include 2,066,888 bushels of wheat representing indemnities payable and approved for deferred settlement for which no monetary liability has been established. (See comment under Operating Reserve.)

The major portion of indemnities for the 1941 crop year will be paid during the 1942 fiscal year. Moreover, it is estimated that 1941 crop year premiums will be reduced approximately 840,000 bushels due to downward premium adjustments based on Notices of Seeding now in the process of audit. These notices indicate the actual acreage seeded to wheat, which acreage is not determinable at the time premiums are paid.

It will be noted that the operating reserve shows premiums collected in excess of indemnities paid of \$3,561,842.24, not including a monetary charge for accrued indemnities of 2,066,888 bushels, while the insurance reserve, by contrast, reflects an excess of indemnities, paid and accrued, over premiums collected of 1,594,076 bushels.

#### CAPITAL STOCK

During the 1941 fiscal year an additional 20 million dollars was subscribed by the Treasurer of the United States, making a total

of 40 million dollars subscribed to date. Of this amount 14 million dollars has been requisitioned by the Secretary of Agriculture to carry on the insurance operations of the Corporation.

#### OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses of the Corporation are paid from a separate appropriation provided each year by Congress.

The expenses consist of salaries and other operating costs of the Corporation, the expenses of other governmental agencies utilized by the Corporation in performing specialized functions in the administration of the Act, and the cost of carrying the wheat stocks acquired by the Corporation in its insurance operations.

A comparison of operating and administrative expenses and appropriations for the fiscal years ended June 30, 1939, 1940, and 1941 is shown in table 8.

TABLE 8.—*Comparative statement of operating and administrative expenses and appropriation reconciliation for the fiscal years ended June 30, 1939, June 30, 1940, and June 30, 1941, as of June 30, 1941*

Item	Expenses for the fiscal year ended—			Increase or decrease as of 1941
	June 30, 1939 <sup>1</sup>	June 30, 1940 <sup>1</sup>	June 30, 1941	
Direct expenses except wheat storage:				
Personal services.....	\$1,260,731.12	\$1,101,428.65	\$964,039.95	\$-137,383.70
Supplies and materials.....	93,032.86	41,586.08	41,125.06	-461.02
Communication service.....	21,549.21	21,434.51	22,594.18	+1,159.67
Travel expense.....	51,919.27	56,267.94	60,579.19	+4,311.25
Transportation of things.....	12,556.32	10,686.23	20,051.64	+9,365.41
Printing and binding.....	56,285.50	299.59		-299.59
Advertising and publications.....	114.59			
Heat, light, power, etc.....	346.55	3,310.69	3,350.58	+39.89
Rents.....	45,367.03	50,080.75	42,380.44	-7,700.31
Repairs and alterations.....	363.72	1,494.00	2,026.67	+532.67
Special and miscellaneous expenses.....	21,024.32	13,158.40	15,863.95	+2,705.55
Total direct expense except wheat storage.....	1,563,290.49	1,299,746.84	1,172,011.66	-127,735.18
Wheat storage.....	302,678.47	871,273.99	1,016,095.25	+144,821.26
Total direct expense.....	1,865,968.96	2,171,020.83	2,188,106.91	+17,086.08
Expense of cooperating agencies:				
Office of the Secretary.....	27,745.00	33,282.00	40,937.00	+7,655.00
Bureau of Agricultural Economics.....	51,300.00	71,150.00	82,100.00	+10,950.00
Office of Information.....		5,000.00	4,772.00	-228.00
Office of the Solicitor.....	48,786.00	45,215.00	45,922.00	+707.00
Agricultural Marketing Service.....	24,693.00	28,338.00	21,605.00	-6,733.00
Agricultural Adjustment Administration.....	2,275,596.56	3,291,850.00	2,892,640.00	-399,210.00
Division of Disbursements—Treasury Department.....	3,297.00	8,836.00	12,000.00	+3,164.00
Total expense of cooperating agencies.....	2,431,417.56	3,483,671.00	3,099,976.00	-383,695.00
Total expense.....	4,297,386.52	5,654,691.83	5,288,082.91	-366,608.92
Equipment purchased.....	85,101.17	21,205.39	19,369.44	-1,835.95
Total expenditure.....	4,382,487.69	5,675,897.22	5,307,452.35	-368,444.87
Unexpended balance.....	592,970.31	147,302.78	215,747.65	+68,444.87
Total appropriation.....	<sup>2</sup> 4,975,458.00	<sup>3</sup> 5,823,200.00	<sup>4</sup> 5,523,200.00	-300,000.00

<sup>1</sup> The total expenditures for the fiscal years ended June 30, 1939, and June 30, 1940, show reductions of \$630.31 and \$78,827.99, respectively, as compared with the amounts shown in the annual report as of June 30, 1940. These changes were occasioned by various adjustments of unliquidated encumbrances during the fiscal year ended June 30, 1941, affecting these appropriations.

<sup>2</sup> After the transfer of \$500,000 to the 1940 appropriation and a reduction in the appropriation allotment of \$24,542.

<sup>3</sup> Includes \$500,000 transferred from unexpended balance of 1939 appropriation and excludes the transfer of \$100,000 to the 1941 appropriation.

<sup>4</sup> Includes \$100,000 transferred from unexpended balance of 1940 appropriation

## APPRAISAL OF 1941 OPERATIONS

## ORGANIZATION

As in the preceding 2 years, the crop insurance program was carried to wheat growers of the Nation by the Corporation and through the state and county committee organization of the Agricultural Adjustment Administration. Only in greater efficiency did this work vary from that of the first 2 years of the program's operation. There were several reasons for this. A backlog of 2 years' operating experience produced a more thorough and broadened understanding of insurance on the part of not only field workers themselves but also the farmers. A more simplified procedure stemming from experience those first 2 years gave fresh impetus to acceptance of the program in the wheat belts. Thus, more farmers than ever before were personally contacted and given an opportunity to insure their wheat crops. Then, too, crop insurance was more closely meshed with other cogs in the National Farm Program and this, coupled with the fact crop insurance had settled into definitely established lines, contributed to greater familiarity with the program on the part of those who were administering it in the field and made for smoother operation.

## INSURANCE WRITTEN

Thus, it was inevitable that with the increasing knowledge of what crop insurance accomplishes for the farmer, the service it provides, and the benefits it supplies, a substantial increase in the number of contracts written should result for the third successive year.

Despite this increased insurance volume the Corporation was able to carry on its program on this larger scale without material change in the size of its annual appropriation.

From indications at the close of the fiscal year it appeared the third year of operation may be the first year during which premium collections will approximate indemnities paid. While it is impossible to report final total losses for the 1941 crop year, since all settlements will not be completed until later in the year, indemnity claims reported and paid as of June 30, 1941, amounted to 17,137 representing 3,269,911 bushels of wheat. Under the 1940 program as of June 30 of that year, claims approved, which do not include those reported but unpaid, numbered 11,755, representing 3,076,232 bushels of wheat. Greater experience in adjusting losses, more efficient administration, and refinements in the bookkeeping system enabled the Corporation in 1941 to maintain a more up-to-date record of all claims reported and paid as compared to recording losses only as they were paid under the 1940 program.

The Federal Crop Insurance Corporation for 1941 insured the wheat crops on about 30 percent of the country's wheat farms. This represented 421,113 contracts from 36 States. These contracts guaranteed an estimated total production for insured farmers of 110,003,931 bushels of wheat at a total cost of 14,264,012 bushels paid in as premiums.

On the 1940 crop the Corporation wrote 360,589 contracts covering 12,758,420 acres on about 26 percent of all wheat farms for which growers paid total premiums amounting to 13,800,812 bushels for a guaranteed production of 108,297,377 bushels.

The 1941 increase in participation represented gains in contract volume in all but seven of the States in which insurance was made available to growers. A deeper understanding of the benefits, accomplishments, and service of crop insurance, together with the greater ease with which the grower could insure his crop and the memory of many farmers of the disastrous drought which deprived them of a crop in 1940, combined to produce this increased contract volume. More than 95 percent of the growers who insured their crop took advantage of the privilege of paying their premium with advances obtained from the Secretary from their Agricultural Adjustment Administration payments.

In fostering successful administration of the crop insurance program, the Corporation was careful to make special adaptations so the insurance protection would fit all sizes of farms without partiality to either the large farmer or the small farmer. The fact the insurance written by the Corporation ranged from a few acres on some individual Ohio farms to thousands of acres under individual ownerships in Washington, Oregon, and Texas, is proof the Corporation has been successful in this respect.

#### APPRAISAL OF PARTICIPATION

As was to be expected the bulk of the insurance written originated in the principal wheat-producing States. In such states the major part of the insured acreage was concentrated in the leading wheat-producing counties. Generally, the 1941 program was marked by a more representative distribution of contracts than had been the case in the preceding 2 years.

Increased participation and a more representative distribution of contracts in these areas has been beneficial to the crop insurance program. Increased participation and improved distribution also provide the possibility for equalization of premiums and indemnities over a wide area, thereby decreasing the necessity of paying indemnities in one year with premiums from other years. Not only does this contribute to the financial stability of the Corporation itself, but it also increases the economic and social benefits in direct proportion to participation. This increased participation enables the Corporation further to improve its actuarial structure through accumulation of yield data for a larger number of farms, and the financial costs per contract of administering the program are reduced by increasing the contract volume.

There is, however, much room for improvement with respect to distribution of participation. The degree of variance between some counties, ranging from 80 to 90 percent participation to a negligible amount in others, indicates interest in the program is diverse and that the emphasis placed on crop insurance varies from county to county. This diversity of participation suggests there is good opportunity for increasing the volume of insurance written if more emphasis is placed on the program in some counties.

The number of contracts in 1941 also proves conclusively that wheat growers want the benefits and service of crop insurance and are willing to pay the cost of this protection. The average premium rate on insurance offered farmers in 1941 was 33.9 bushels to insure an average production of 261 bushels. Premiums on the whole

probably ranged from 2 percent of the insured production in low-risk areas to as high as 40 percent of the insured yield in the high-risk areas.

In executing the actuarial work necessary for insuring wheat crops it is necessary to give consideration to the entire scheme of operation of the program. The problems to be considered include the following: (1) The adaptation of the premium rate to the specific hazards of production on the individual farm, taking into consideration the coverage per insurable acre; (2) recommendation of trends and practices which make the usual historical approach inapplicable; (3) presentation of an insurance plan equally applicable to high and low-risk areas; and (4) determination of closing dates for submission of applications to reduce selectivity of risks.

Yields and premium rates for individual farms were changed from those used in the 1940 program. One reason for modifications was the necessity for revision of incorrect appraisals, which were disclosed before completion of the 1940 program. Change from 1940 was also induced by incorporation of the 1939 crop experience and from analysis of the applicability of the historical information on yields. Averaging in the actual 1939 crop experience has served as an initial step in revising appraisals of individual farm yields made in connection with the 1940 program. Introduction of actual yield experience for an additional year has also contributed to the improvement of farm premium rates so as to reflect better the various hazards of wheat growing and changes in farming practices.

In the 1940 program special yields and rates were established for insuring wheat produced under certain special types of practice. For the 1941 program these data were refined by introduction of experience on the 1939 wheat crop. Such data were also prepared for an expanded area.

Refinement of the rate structure naturally has tended to make crop insurance more applicable to both high-and low-risk areas.

The closing dates for receipt of applications were generally earlier than in the 1940 program and thus decreased the possibility of predicting the size of the 1941 crop.

#### ACTUARIAL WORK

Constant and thorough study of the Corporation's experience during each year of its operation indicates the general actuarial basis and the plan for the program are sound. Such minor changes deemed necessary for successful prosecution of crop insurance were made through a closely coordinated effort between the Washington office and the Corporation's branch offices on the one hand and state and county committees on the other.

County committees directed their efforts toward establishment of yields and rates for individual farms, subject to the approval of State committees and representatives of the branch offices.

In connection with the 1940 program the Washington office developed actuarial yardsticks consisting of county check yields and check premium rates. For the 1941 program these guides were improved by incorporation of data on 1939 crop experience. The check premium rates were also generally increased to reflect the excess of actual over expected losses experienced in the 1939 program. The

loss experience on the 1940 program was not reflected in the 1941 check premium rates due to the fact that indemnity claims on the 1940 program were still in the process of settlement after the closing date for receipt of applications for insurance on the 1941 crop.

In the review and study of yields and rates by county committees, the Washington and branch offices, there was a tendency to lower the high yields and increase the low yields found in some counties.

In blending the 1939 experience with the 1940 yield and rate structure, a weight of 10 percent was given the 1939 yield data in computing the 1941 insurance yield for individual farms. A weight of 5 percent was given to the 1939 crop loss experience in computing the 1941 premium rate for individual farms. The influence of the 1939 crop-loss experience was limited to 5 percent because to have attached greater importance to it would have allowed premium rates to fluctuate more than risks of crop loss normally could vary.

Individual farm yields and rates were factored to county check yields and county premium rates as was the case in 1940. Like the previous year's yields the 1941 yields had been developed so they were usable for both the Agricultural Conservation Program and crop insurance. Altogether yields and rates were developed for farms in 1,460 counties of 36 States.

#### ADJUSTMENT OF LOSSES

Responsibility for adjustment of losses rests with the county committees of the Agricultural Adjustment Administration subject to approval of the Corporation. A farmer who anticipated a loss reported that fact to the county committee. A preliminary inspection of the crop was made before harvesting and when the crop was harvested, the production was measured and the loss, if any, determined. All claims for indemnities were reviewed and certified by the branch offices before payments were made.

Where substantially total losses occurred, similar inspections were made and claims entered. Settlements were made on the recommendation of the adjuster. Immediate payment of such losses was made only when the crop was destroyed and the acreage devoted to other uses.

Another problem in adjusting losses has been the determination of loss on acreage not harvested if the yield produced was too small to justify harvesting costs. Consideration is given to general practices in the area with respect to harvesting and threshing such crops. Where the insured can salvage some of the crop by feeding, cutting for hay, etc., such salvage determined on a bushel basis is appraised as production.

#### CROP CONDITIONS

The crop outlook of plantings for harvest in 1941 was in sharp contrast to the dismal beginning of the 1940 crop. In 1940 throughout most of the wheat-producing regions abundant subsoil and surface moisture promised well for the coming harvest. Shortly after fall plantings last year promising indications were general that the Federal Crop Insurance Corporation was facing its first year when premium collections would more closely approximate indemnity payments.

The winter wheat States generally produced bountiful yields. But once more loss areas marred what otherwise might have been a uniformly good harvest in all parts of the country. Texas, which suffered some early crop destruction due to blowing, experienced further losses from rust and excess rain in June. Oklahoma farmers also found a number of fields infected with stem rust and there was much lodging of rank wheat. Early in the summer in Kansas, when the State as a whole looked upon an exceptionally good crop, floods washed out some fields, inundated others, and leveled hundreds of acres of wheat. Floods also damaged the crop in Oklahoma and Texas. A tornado took lesser toll of some Kansas fields while floods and the terrific Armistice day storm caused additional heavy losses in Nebraska, Iowa, Missouri, and parts of Kansas and Illinois.

The Pacific Northwest enjoyed an ideal season and the spring wheat States generally, blessed with generous moisture and favorable weather, expected a good crop.

The bulk of the early losses were due to winter-kill, and alternate freezing and thawing in Missouri, Nebraska, and Iowa. Missouri's midseason outlook was short about 14 million bushels compared to 1940. The Hessian fly damaged winter wheat particularly in southeastern Kansas and in some areas in Missouri and Illinois. Grasshoppers hatched rapidly in central and southern South Dakota with some Mormon crickets making their appearance in the western plains, especially in parts of Oregon and Idaho. Control measures, however, were available for prevention of serious damage. Losses from such causes were negligible compared with former years, although the Dakotas in July and early August experienced some drought.

Despite the favorable outlook for a crop in the fall of 1940, more contracts than ever before were written on the 1941 crop. The wheat was not yet in the bin and anything might happen. Of this, thousands of wheat growers were aware, recalling their bitter experiences of 1940 when 14.2 percent of the wheat acreage was abandoned, and the former years when glittering crop prospects dwindled because of adverse weather that curtailed yields and harvests.

As of July 1, the estimated winter-wheat-acreage abandonment for the Nation, according to the Government crop report, was but 12.9 percent with an indicated total production of 682,321,000 bushels from an estimated 40,316,000 acres. A production of 682,321,000 bushels would be more than was harvested in 25 of the last 30 years. Then, too, the indicated yield per acre as of July 1, was the highest since 1931 and the acreage abandoned less than in any year since 1931.

The July crop report estimated spring-wheat-acreage abandonment at 4.4 percent with an indicated total production of 241,292,000 bushels from an estimated 16,467,000 acres.

Total abandonment estimated for all wheat July 1 was 10.7 percent.

#### PAYMENT OF INDEMNITIES

From the 421,113 contracts written by the Corporation in 1941, for which farmers paid 14,264,012 bushels of wheat as premiums, the Corporation had received 17,137 loss claims as of June 30, 1941. These claims represented 3,269,911 bushels of wheat in indemnities. Total loss claims and indemnities will be increased upon completion

of the 1941 program after the spring wheat crop has been harvested and all adjustments made.

Indemnities were paid in cash or by means of a certificate of indemnity under the 1941 program. The indemnified farmer could exchange this certificate for the cash equivalent through the Corporation, exchange it for a warehouse receipt if wheat was available, or he could turn it over to the Commodity Credit Corporation to obtain a wheat loan on the amount of wheat represented by the certificate.

#### GRAIN HANDLING

During the fiscal year ending June 30, 1940, the Corporation attempted to acquire wheat which had not moved by rail at country points because of the fact that arrangements had been made with the Commodity Credit Corporation to make wheat loans on indemnities paid by the Federal Crop Insurance Corporation. This plan was not successful because it was impossible to acquire such wheat in sufficient volume or at the proper locations to pay all indemnities in wheat when requested by the insured.

This certificate of indemnity used in paying losses in the 1941 program shows the number of bushels of the grower's loss and the class and grade of wheat. Because of the fact that the Commodity Credit Corporation will make loans on these certificates of indemnity, it is not necessary for the Corporation to attempt to secure wheat at local points. Therefore, except on the Pacific coast, most of the wheat acquired by the Corporation was acquired at terminal and sub-terminal locations.

In accordance with its established policy, only ordinary wheat was acquired whenever possible. However, in some instances, the Corporation paid a slight premium for protein. In other cases, wheat carrying protein above that contained in ordinary wheat was acquired at a discount under the price of ordinary wheat.

Two important changes made in wheat operations were: (1) a policy to purchase all wheat necessary for successful administration of the program from the Commodity Credit Corporation, provided it has wheat available which is suitable to carry in the reserves of the Federal Crop Insurance Corporation, and (2) the adoption of the Uniform Grain Storage Agreement for the benefit of all agencies of the Department. These policies enable both the Commodity Credit Corporation and the Federal Crop Insurance Corporation to take advantage of free storage accruing under the Uniform Grain Storage Agreement. The acceptance of these agreements began during 1940 and at the present time there are about 8,000 such agreements in effect throughout the country. These agreements provide for a rate of one-thirtieth of 1 cent per day for the first 180 days of the annual period when grain is received by rail or water, and also for the first 210 days of the annual period when grain is received by wagon or truck.

#### PLANNING FOR 1942

The Corporation was prepared for extension of its program to cotton beginning with the 1942 crop. It has collaborated with the Bureau of Agricultural Economics in the research work on cotton crop insurance which has been in progress for several years. As a

result of this work, the main features of the plan for insurance of cotton crops had already been developed and the basic work for the county actuarial structure had been done. The work was based upon the study of about 70,000 sample farms in over 900 cotton-growing counties. In view of the fact that the period of years to be used as a basis for the insurance had not been definitely decided, final county figures had not been determined as of June 30.

One of the first tasks in the field of preparing for the writing of applications for cotton crop insurance is establishment of average yields and premium rates for all cotton farms. This work will be done by county committees from records on file in the county offices and by appraisal where such records are not adequate or reliable. The farm-loss experience thus developed, modified to some extent by the county-loss experience, will be used to determine the premium rate for each farm in the county. The county average yields and check premium rates developed in the actuarial studies will serve as controls for the individual farm yields and premium rates established by county committees; i. e., the average of the yields established for all individual farms in the county and the average of the rates established for all individual farms must agree with the county control figures.

Field administration of the cotton program will be carried out by the Agricultural Adjustment Administration's State and county committees. These committees, in accordance with the cooperative arrangement existing between the Agricultural Adjustment Administration and the Federal Crop Insurance Corporation, will discharge administrative duties in line with procedures and regulations developed by the Corporation. Theirs will be the responsibility of offering cotton insurance to the farmers, measuring acreage, accepting premium agreements, reporting on production, and inspecting, reporting, and adjusting losses.

Cotton insurance premiums also will be paid under the commodity note plan. This plan of paying premiums will operate to the advantage of both the wheat and cotton farmer and the Corporation. Instead of paying his premium in the actual commodity or the cash equivalent at the time of applying for insurance, the method used in the 1941 program, the farmer insuring his wheat or cotton crop for 1942 will sign a commodity note when he signs his application for insurance. The note is part of the application.

This note may be paid in one of four ways by: (1) Payment with the actual commodity on or before the date of maturity; (2) payment of the cash equivalent on or before maturity, in which case the current price of the commodity on the day payment is made will be used to compute the cash equivalent; (3) deducting the amount of the note from any indemnity the insured might receive under his contract; (4) payment after maturity, in which case the premium would be payable in the cash equivalent figured on the basis of the established commodity price the day the note matured, payable in cash or deducted from any payments due the insured under the Agricultural Adjustment Administration program or the proceeds of any commodity loan made available to him by the Commodity Credit Corporation.

The note plan is expected to save the Crop Insurance Corporation approximately a million dollars annually in storage and handling costs

of grain in the wheat program alone. The new application and note plan will make insurance available for many growers who heretofore were unable to insure their crops because at the expiration of the time for applying for insurance many did not know how many wheat farms they would operate that year, many renters had not completed leasing arrangements, and in still other cases farmers had not settled on their farm plans for the coming year. Under the note plan the farmer can sign his application and note with a guarantee that the note will apply to all the farms he operates in the county. However, the note must be signed before the closing date for accepting applications or before the crop is seeded, whichever is earlier.

Other changes made in the 1942 wheat insurance program include an automatic transfer of interest, a requirement that the farmer must insure all wheat crops in which he has an interest in the county rather than insuring one farm and not the others in which he has an interest in the crop, a selection he was able to make under the 1941 program. The time in which insurance is in effect also has been extended from September 30 to October 31, 1942, for the 1942 program, unless otherwise specified in writing by the Corporation.

### PLANNING FOR THE FUTURE

While the Corporation does not have the authority without Congressional action to extend its program of insurance to other agricultural commodities, it is empowered to conduct or have conducted research work on other crops in efforts to develop plans and actuarial bases for the insurance of additional crops in the event that the program is extended by Congressional action. This development work is under way in the Bureau of Agricultural Economics on corn, citrus fruits, tobacco, and rice.

The plan of computing premiums and indemnities in kind and paying in cash equivalent, the method of collecting premiums, and the method of paying indemnities as used in the wheat program seem to be applicable to some other crops. The general plan of storage of the commodity as reserves will likewise apply in the case of corn, but does not lend itself as well in the plans under consideration for citrus fruit and tobacco. With the development of the commodity note plan, however, the storage difficulty during the year of insurance has been alleviated. As a result, research efforts have been intensified on the development of actuarial data and the adaptation of the general plan to each crop is being studied. A summary of the present status of the research work follows.

### CORN

The obtaining of yield data on individual farms for use in the development of crop loss experience figures has been the major problem in the research work of developing an actuarial basis for corn crop insurance. Individual farm-yield data which were generally available from the Agricultural Adjustment Administration programs for the wheat- and cotton-research work could not be obtained in the case of corn. However, corn-yield records from approximately 20,000 farms from 12 States—Ohio, Indiana, Illinois, Iowa, Missouri, Kansas, Nebraska, South Dakota, Minnesota, Wisconsin, Michigan, and Kentucky—have been obtained largely from other sources and analyzed.

These data were assembled from the records of Federal land banks and insurance companies for farms which they have owned for a number of years. A part of the material was obtained from agricultural colleges and through state and county offices of the Agricultural Adjustment Administration.

In most respects, a crop insurance program for corn would generally be operated along the same lines as the crop insurance programs for wheat and cotton. The plan for establishment of separate yields and premium rates for individual farms corresponds to the plan for the present programs. Fewer individual farm-yield records will be available for the corn program. Present research has been based upon insurance of 50 to 75 percent of the corn crop, as in the case of wheat.

Problems which differ from other crops include: (1) the varied utilization of corn at harvesttime, that is, as grain, fodder or silage, etc.; (2) the influence of hybrid corn on yields produced and its irregular adoption throughout the Corn Belt.

#### CITRUS FRUITS

The analysis of yield and loss factors on about 1,200 groves in Florida, California, and Texas is nearly completed. Research work has been concentrated upon a more intensive study of costs of this type of crop insurance. The work of setting up insurable yields has been complicated by the fact that production generally increases, up to a certain point, with the age of trees. It will be necessary to reflect such trends in production when determining the yield and rate for the grove from its past history.

#### TOBACCO

As was the case with wheat and cotton, a large volume of individual farm-production data for tobacco has been accumulated in connection with the Agricultural Adjustment Administration programs for the crop. These data are available for most of the different types of tobacco and are being assembled and studied in an effort to develop a plan and an actuarial basis for the insurance of quality as well as quantity. The fact that losses in quality seem to be much more important in tobacco than in certain other crops indicates that some plan of yield-quality insurance will be most suitable for that crop. The work on tobacco is still in the preliminary stage. The study of data from representative counties in each type-producing area is just getting under way.

#### RICE

The research work on rice has not advanced beyond preliminary stages. Yield data have been gathered for a representative sample of individual farms and producers in Arkansas, Louisiana, and Texas. Indications are that the risks in connection with rice production are not as great as in many other crops. However, the fact that losses are somewhat less frequent does not indicate that crop insurance protection is not needed. It may indicate that the cost of insurance comparable to that available to wheat and cotton growers would be substantially lower.





